



Briefing Note

Meeting: Overview & Scrutiny Committee
20th March 2018

Title: Scrutiny of Local Enterprise Partnerships

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1.0 Recommendation

To consider the ongoing scrutiny of the Local Enterprise Partnerships within the West Midlands Combined Authority area.

2.0 Purpose

To apprise members of the background in relation to the governance of Local Enterprise Partnerships.

3.0 Background

1. Local Enterprise Partnerships (LEPs) were established as locally-derived business-led partnerships between the private and public sectors that would drive economic growth. There are currently 38 LEPs in the country, with responsibility for £12bn of public funding. Each LEP has the flexibility to determine its own governance and accountability arrangements, inevitably meaning that there are a variety of models in operation throughout the country. There are three LEPs within the Combined Authority area (Black Country, Greater Birmingham and Solihull and Coventry and Warwickshire) with a fourth LEP having observer status awaiting progression (the Marches).
2. In order to establish minimum standards of governance, transparency and assurance within LEPs, the Government publishes a National Assurance Framework. In addition, the Department for Communities & Local Government conducts an annual performance review with each LEP to discuss matters including delivery performance, governance and transparency.
3. Following concerns expressed about governance and transparency arrangements within LEPs, the Public Affairs Committee recommended DCLG to undertake an internal review as to whether the current systems provided sufficient assurance that LEPs were fully implementing existing governance requirements, and to consider whether these current requirements were themselves sufficient. The

review was undertaken by Mary Ney, Non-Executive Director of the DCLG Board and its findings were published in October 2017.

Findings of the Review

4. The review made a series of recommendations relating to eight separate areas of LEP governance. These are summarised below:

(i) Culture and Accountability

- An annual assurance statement, signed by the Chair of the LEP and the Chief Executive Officer of the LEP, confirming that standards were being met should be published online, giving these post holders direct responsibility for matters of good governance.
- The code of conduct for all LEP board members should explicitly require the Nolan Principles of public life to be followed.

(ii) Structure and Decision-Making

- The National Assurance Framework should be amended to draw explicit attention to the importance of LEP decision-making structures meeting seven key requirements that provided for assurance on good governance:
 - Clear strategic vision and priorities set by LEP Board and subject to wide consultation.
 - Open advertising of funding opportunities.
 - A sub-committee with responsibility for assessing bids.
 - Independent due diligence and assessment of business cases.
 - Arrangements for funding decisions to be signed off by a panel including local authority members (with the power of veto)
 - Section 151 officer to have sight of all decisions.
 - Use of scrutiny arrangements to monitor decision-making.
- The National Assurance Framework should be further amended to confirm that *all* decisions (including urgent decisions and decisions in the absence of a formal meeting) must be subject to the normal business case, evaluation and scrutiny arrangements, and that they should be recorded and published in the normal way.

(iii) Conflicts of Interest

- The National Assurance Framework should set out the specific requirements on the principles which each LEP must incorporate into its conflict of interests policy, along with how it is to be implemented, so as to establish a country-wide minimum standard for dealing with conflicts of interest for each LEP board member.
- LEPs should be required to include within its conflicts of interest policy how scenarios of potential conflicts of interest involving councillors, private sector and other board members would be managed.

(iv) Complaints

- LEPs should be required to publish a whistleblowing policy and arrangements for the confidential reporting of allegations by third parties/public.

(v) Section 151 Officer

- Clarity should be provided within the National Assurance Framework on the role of Section 151 Officers, and that Section 151 Officers should provide a report as part of the LEP's annual performance review with DCLG on their work for the LEP and any issues of concern on governance and transparency.

(vi) Transparency

- The National Assurance Framework should provide additional guidance on expectations as to the publication of meeting agendas, meeting papers and decisions.
- LEPs should publish online a rolling schedule of the projects it has funded, giving a brief description of the project, names of recipients and the total funding provided.

(vii) Government Oversight and Enforcement

- The annual governance review should undertake a specific review of the annual assurance statement (*see recommendation (i)*).
- A risk based approach should be adopted to identify LEPs where a 'deep dive' review of governance and transparency would be of assistance, to be undertaken by someone with no direct involvement with the LEP concerned.
- The National Assurance Framework should provide more clarity to LEPs on the implications of non-compliance by LEPs with regard to governance and transparency requirements.

(viii) Best Practice

- The Government should continue to support the work of the LEP Network and look at how it might be strengthened so that it can better promote best practice.

Conclusions

5. The review found that there was clear recognition within LEPs that strong and proportionate governance arrangements can be pursued without becoming overly bureaucratic. The recommendations were intended to strengthen the improvement journey to date, and should be looked to be taken forward in partnership with the LEPs.

In addition, the recent report published by the Communities and Local Government Parliamentary Select Committee into Overview and Scrutiny recommended that the scrutiny committees of combined authorities have a role in monitoring the performance of Local Enterprise Partnerships.